

CONFIDENTIAL

1 JUL 1970

OFFICE OF LOGISTICS
PROCUREMENT NOTE NO. 40

OVERHEAD OVERRUNS

1. Contracting officers will conform with the intent of recent Armed Services Board of Contract Appeals decisions pertaining to the allowance of additional funding based upon the increased contractors' overhead rates.
2. Claims for this type of additional funding are not to be approved by Office of Logistics contracting officers unless there are valid qualifying circumstances. In this event, contracting officers are to use the inherent discretion given them to adjudicate such claims.
3. Contracting officers, in the interest of conformity, are requested to utilize the attached letter format (Attachment 1) when advising their respective contractors of Agency policy.
4. The cooperation and awareness of the Directorates is being elicited via a memorandum from the Deputy Director for Support, a copy of which is attached hereto (Attachment 2).

Signed: John F. Blake

John F. Blake
Director of Logistics

Atts

Distribution:

- | | |
|---|------------------------------|
| 2 - DD/S, w/atts | 1 - EA ACRB Member, w/atts |
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GROUP 1

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Attachment 1

Gentlemen:

1. The limitation of this Agency's obligation under cost reimbursement type contracts with your organization is fixed by the terms and conditions of each contract and by the funding authorized in the document.

2. In accordance with the Limitation of Cost Clause, whenever you have reason to believe that the total cost of your contract will be greater than either the estimated cost thereof or in excess of the approved funding, it is requested that you advise the Contracting Officer immediately of the extent of any overrun or additional cost anticipated under the contract with the reasons therefor and detailed cost information in support of the need for such additional funds.

3. You are reminded that you are not to incur costs (for which you expect reimbursement) in performance of the contract when such costs exceed the contract funding until the Contracting Officer specifically notifies you that such excess amounts have been authorized. Further, in the absence of qualifying circumstances the Contracting Officer will not reimburse the Contractor for overhead costs in excess of contract funding when such costs are incurred in contravention of the Limitation of Cost Clause.

4. Further, timely notice is of the essence and authorization to perform additional work or to incur additional costs, including those caused by changes, may come only from the Contracting Officer

Yours very truly,

THE UNITED STATES OF AMERICA

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